

April 17 meeting summary

Legislative Health Benefit Exchange Sub-Committee Meeting

Meeting Begins- 7:37am

Sen. Martinez Humenik (Facilitator)- I emailed questions out that have been brought up. What we will do is take turns going down the list and asking questions pertaining to this position and the specific leadership position being sought out.

Q1. Sen. Kefalas- Some of these questions relate to the CEO search. The matter of the cost is important. What is the budget for this process? How much was budgeted for this search? Does this budget include only the CEO search or the other positions (COO CIO CFO) as well? Where is the money from the CEO search coming for the budget?

A1. Board Chair Sharon O'Hara- Around early September 2014 we put together a budget. That was based upon several RFP's that we had from other recruitment firms. We did not go for the lowest bidder; we went with EFL Associates. Their anticipated fee was based upon a compensation range of \$194,000.00. We paid them a fee of 63,270 dollars. They invoiced us for out of pocket expenses related to direct marketing. [see table attached for CEO search expenses invoiced by EFL Associates]. There was no expense for advertising, since advertising was done on LinkedIn.

Q2. Sen. Kefalas- When the previous CEO resigned, did C4 'look that the big picture' and how much it would cost to fill not only the new CEO position, but all the other C-suite executive positions? What strategic planning was done for this search?

A2. Board Chair Sharon O'Hara: All of the C-suite executives had been budgeted for.

After the meeting, Connect for Health Colorado shared the following information:

Total salaries of each C-suite staff

- A2-a.** Interim CEO, Gary Drews - \$195,314 annual base salary
- A2-b.** Interim CIO, Adele Work - \$165k annual base salary
- A2-c.** General Counsel, Alan Schmitz - \$135k annual base salary
- A2-d.** Chief Marketing Officer, Linda Kanamine - \$125k base salary
- A2-e.** Interim CFO, John Wetherington (Contract) –
 - i. From his contract dated February 2015-April 2015, "Contractor will be paid the following contractor fees according to the time spent by approved personnel at the following rates subject to the following not to exceed amount which will be the maximum amount exceeded without the written consent of COHBE: \$55,000."
 - ii. Amendment to his contract signed and dated 4/7/15 states, "Commencing May 1, 2015, Contractor shall continue for consecutive calendar month terms unless either party provides ten (10) day's advance written notice. In no event shall Contractor fees exceed \$24,000/month for the period contemplated by this Extension Amendment." His hourly rate is \$120.00.
- A2-f.** Chief Sales & Strategy Officer, Marcia Benshoof (Contract) – Contract from February through July 31, 2015 - The rate of reimbursement will be \$120.00/hr. Total reimbursement under this SOW shall not exceed \$125,000.

Q3. Rep. Sias- what will the projected cost of finding these C-suite level executives be?

A3. Board Chair Sharon O'Hara- The recruiter budget has only been for the CEO position

Q4. Sen. Kefalas- How much money did you spend for the compensation package with the Missouri firm?

A4. Board Chair Sharon O'Hara- We paid the Missouri Firm \$5,000 for the compensation package. We do have a finance committee on the Board

Q5. Rep. Sias- How did you come up with the questions for the interviews?

A5. Board Chair Sharon O'Hara- The search board met three times prior to starting the search. Together, we came up with 3 to 4 pages of questions. We (the Board) modified some of those questions. All the board members provided some ideas about what they thought the appropriate answers to these questions would be. Not necessarily correct answers, but appropriate answers. During the CEO search, EFL sent out emails to over 2,000 individuals in their 'rolodex' of contacts. They helped with logistics, provided reference checks, and completed background searches. They also compiled portfolios on each candidate.

Q6. Rep. Sias- In anticipation of going forward, does the recruiting firm's arrangement with you all stop as soon as the CEO has been found? Is your contract with EFL Associates ongoing or finite?

A6. Board Chair Sharon O'Hara- The firm is a local and reputable firm, and their 'term' will end only when a final CEO has come forward and we say that we are satisfied. Additionally, if the candidate does not stay on board for a contractualized period of time, the firm will pay the Connect for Health Colorado Board a portion of the money we initially paid them.

Q7. Sen. Martinez Humenik- Are there no local firms that could have put together the compensation package?

A7. Board Chair Sharon O'Hara- I did not know that they were even an out of state firm until they had completed the compensation package. I dealt with them through email. They came highly recommended, and I did not realize that they were outside Colorado until after we had worked with them. Additionally, EFL Associates is a local firm, and we used them. However, at the time, we needed to move quickly to put together the compensation package. This firm was the only firm that was available to work with [our] timeline. We wanted to move quickly and establish a salary range to begin the search for candidates.

Q8. Sen. Kefalas- How did the board score the candidates interviewed? Was there a rubric or other methodology to narrow down candidates objectively?

A8. Board Chair Sharon O'Hara- All board members participated in the selection process. Even the non-voting board members participated in all interviews. During each interview, Board members would ask the same questions to all candidates. After each section of interviews, we then rated them among ourselves.

Q9. Sen. Kefalas- Did you align the questions with the 7 criteria you agreed on as being important?

A9. Board Chair Sharon O'Hara- We did, however each board member weighted these criteria differently. This is because each Board member prioritized the criteria we agreed upon in a different way. In these cases, some Board members had to make compromises so a consensus could be reached. This was a tedious process.

Q10. Sen. Kefalas- In the materials we received from Connect for Health Colorado, there appeared to be a letter offering the position. It had details from the compensation package. We understood that there would be some negotiation, but it looked like parameters had already been set ahead of time. Why did Connect for Health Colorado take this route?

A10. Board Chair Sharon O'Hara- [The creation of the State Health Exchange] is a new process for us. Not many candidates would be willing to throw their hat in the ring and go through a tedious interview process only to negotiate at the end. High-end candidates want some idea of the compensation package ahead of time. We tried to be as vague as possible while still offering specifics that are attractive to the caliber of candidate we are looking for. Additionally, the letter said that compensation would be subject to some negotiation. We have not been able to figure out the best way to attract candidates without putting a specific salary and benefits package on the table.

Q11. Rep. Sias- What is the difference between the starting number for negotiation as opposed to the final offer a candidate would sign?

A11. Board Chair Sharon O'Hara- Once the Board has all said 'yes' to someone, they have more negotiating power. They will have more leverage, especially since [the Connect for Health Colorado CEO search] is a very public process. The Board was not willing to go further than the compensation package that was put together, however we did leave some room to negotiate. All in all, the Board lost some leverage in this process.

Sen. Kefalas- I want to point out that the dollar amount mentioned in the letter is the same dollar amount put together in the compensation package.

Q12. Sen. Martinez Humenik- What is the current status of the candidate right now?

A12. Board Chair Sharon O'Hara- The Board is also meeting this morning; there may be an update as soon as we are done at this meeting. I will give you an update in the next 6 hours if something changes.

Q13. Sen. Martinez Humenik- When you vetted these candidates out, were the candidates aware that there were challenges that Connect for Health Colorado was facing? How are these candidates going to step into a 'work in progress' with such a unique State Exchange?

A13. Board Chair Sharon O'Hara- the candidates were made aware of C4's unique situation. We reached out to other state-based exchanges and interviewed some C-level candidates from other state exchanges. By using a local firm that was involved in the Pinnacol search, we found candidates that are uniquely suited for this position. That said, upon reflection I'm sure we could always do a better job.

Q14. Rep. Sias- Did the unique skill set present a problem for finding candidates? Did the compensation package range cause the candidates to back out of negotiations?

A14. Board Chair Sharon O'Hara- It did. We found that many of the candidates thought that this compensation package was on the low end of the scale for such a daunting task. I thought the package was pretty generous but then i realized that this package means we need to find someone who is passionate and dedicated to the mission Connect for Health Colorado is attempting. One of the things Connect for Health Colorado pulled back from was a bonus structure. Many candidates were more inclined to take the position if there was a bonus structure, however we did not feel that the public would accept us paying a bonus structure.

Q15. Rep. Sias- When you were looking at the bonus structure, were there some disconnects between a bonus structure that was directed towards the CEO's directives and the Exchange meeting certain objectives? Can Connect for Health Colorado be sustainable considering the current enrollment, projected enrollment and the two revenue streams it has? Even if a CEO does everything correctly, is it even within his control to make Connect for Health Colorado sustainable? Have you addressed the private sector risks associated with this endeavor?

A15. Board Chair Sharon O'Hara- I did not feel that there was any way around that. With all the candidates that we interviewed, we made sure that sustainability was a central part of the discussion. Because the Health Exchange is such a large endeavor, we wanted to make sure that the CEO's expectations of accomplishment were very similar to the Board's. There are firms that you can hire to structure a sustainability plan, however they charge many thousands of dollars. We refrained as a Board from doing any of those sustainability plans because they were expensive. However, the level of participation from the Board was critical in helping us structure the most sustainable exchange possible.

Q16. Rep. Sias- Is it fair to say that when some CEO candidates looked at the specifics, some did not think that C4 could get to the level of sustainability that we need to get to?

A16. Board Chair Sharon O'Hara- All the candidates operated under the assumption that they could lead Connect for Health Colorado to sustainability. I did not think that any of the candidates saw the challenge as anything more than what needed to be done. We were met with a great deal of enthusiasm and the candidates gave us many ideas of how they could get us there.

Q17. Rep. Ginal- Negotiation for salary has always been give and take. You don't have stock options to offer, which is usually a large benefit for C-level candidates. Thus, negotiation with other bonuses is one of the biggest attractions for a C-level candidate to make Connect for Health Colorado succeed. This includes health benefits or any other incentives. Have you looked at a bonus structure based upon how the exchange does in the future, including the performance of the team (CIO, COO and CFO) the CEO puts together? What else do you have on the table to incentivize the CEO?

A17. Board Chair Sharon O'Hara- Not much. With every candidate, we said we could consider a bonus after the first year, the first year being the most critical. The bonus was not totally off the table in our conversations, we said that we [the board] would revisit the idea after one year. This is a unique endeavor. Many candidates we have looked at have a passion for the

entrepreneurial spirit as well as making a contribution to public policy. Summarily, when we get to the end of this process, the CEO will have a fair amount of leverage, in which case they might be back on the table. If there is a reasonable compromise on the table at some point, we may agree.

Q18. Sen. Martinez Humenik- The CEO will be picking his own team. How long do we anticipate this process to take? Is there a time limit? this needs to move as quickly as possible.

A18. Board Chair Sharon O'Hara- The candidates we have talked to usually have people in mind already. We leaned toward the candidates who had an ability to bring these people on as soon as possible.

Q19. Sen. Martinez Humenik- Will the Board be giving this Committee an update?

A19. Board Chair Sharon O'Hara- The board meets monthly to keep these things on track, therefore they can give monthly updates. There will also be a larger update in 2-3 months

Q20. Sen. Martinez Humenik- So the board has goals and a work plan that they expect from the CEO?

A20. Board Chair Sharon O'Hara- Yes, however we did not go so far as 3 to 5 years down the road. We do not have a long-range game plan for this endeavor.

Q21. Rep. Sias- Going forward, what we have noticed is that there is a large enthusiasm to keep this process moving. Do you have someone who can be our contact for information between the board, their decision, and us?

Q22. Sen. Martinez Humenik- We need a point of contact between myself and Sen. Roberts for the next meetings. Who can that be?

A21, A22. Board Chair Sharon O'Hara- Kyla Hoskins, who is our Manager of Policy and External Affairs. Also, I am happy to act as a contact between the Legislature and the Board.

Q23. Sen. Martinez Humenik- We are all aware that there has been Medicaid signup issues. Is it possible that there could be a different website for Medicaid signups? There have been problems with the Medicaid having misinformation, getting registered, and being tangled up in the system because of Medicaid. The original IT system cost \$6 million, and the Board recently agreed to spend \$5.1 million for upgrades. What technology is going to be implemented and how can we be sure that we will not have large costs in the future?

A23. Board Chair Sharon O'Hara- Each candidate understands that IT issues are essential to the success of Connect for Health Colorado. In addition to working with the state, there are 2 Federal Agencies we also have to work with. The Board members have been significantly involved with this problem. I can assure you on the Connect for Health Colorado side that we will not be coming back to the Legislature for General Fund dollars.

Q24. Sen. Kefalas- The shared eligibility system is not working the way it should. Are you going to work on the interface with private firms or are you going to separate it out before Nov 1?

A24. Board Chair Sharon O'Hara- IT board members are working on it right now. They are working with the office of IT, the Department of Health and Policy Financing (HCPF), and the Federal government to make this happen.

Q25. Sen. Kefalas- How can we support your efforts to get a quality candidate hired as soon as possible?

A25. Board Chair Sharon O'Hara- The legislature has been very supportive. This is a joint venture and we are making progress. I am getting more clarity from you about what you want, and our collaboration will be very productive going forward.

Sen. Martinez Humenik (Closing statement)- We want to see this succeed. We want to make sure that all the cogs in the wheel are going smoothly and in the correct direction. We greatly appreciate you taking the time to be here. We will keep you updated. I'm not sure we will need another meeting, but that may change depending on the update you give us. We expect to stay in contact about meeting with the candidate.

Adjourn- 8:31am

CEO SEARCH

Date	Vendor Name	Bill Amount	Amount Paid	Date Fully Paid	Description
3/31/15	EFL Associates	\$2,422.65	\$2,422.65	4/17/15	Monthly expenses for CEO search and candidate expenses
2/28/15	EFL Associates	\$842.20	\$842.20	3/16/15	Monthly expenses for CEO search
1/29/15	EFL Associates	\$1,304.75	\$1,304.75	2/13/15	Monthly expenses for CEO search
12/31/14	EFL Associates	\$2,778.72	\$2,778.72	1/9/15	Monthly expenses for CEO search
11/30/14	EFL Associates	\$2,881.40	\$2,881.40	12/12/14	Monthly expenses for CEO search
10/27/14	EFL Associates	\$21,800.08	\$21,800.08	11/7/14	Third of 3 billings and expenses for CEO search
9/30/14	EFL Associates	\$21,640.00	\$21,640.00	10/9/14	Second of 3 billings and expenses for CEO search
8/26/14	EFL Associates	\$21,640.00	\$21,640.00	9/16/14	First of 3 billings and expenses for CEO search
Total to date:			\$75,309.80		

CFO SEARCH

Date	Vendor Name	Bill Amount	Amount Paid	Date Fully Paid	Description
12/31/14	EFL Associates	\$519.76	\$519.76	1/9/15	Monthly expenses for CFO search
11/24/14	EFL Associates	\$16,271.20	\$16,271.20	12/12/14	Third of 3 billings and expenses for CFO search
10/27/14	EFL Associates	\$16,400.00	\$16,400.00	11/7/14	Second of 3 billings and expenses for CFO search
9/23/14	EFL Associates	\$16,250.00	\$16,250.00	9/29/14	First of 3 billings and expenses for CFO search
Total to date:		\$49,440.96			